

# TOPICS & REPORT

Teachers' Retirement System of the State of Illinois



## Special Insert

You'll find the 2005 Annual Financial Report Summary inside this edition as a special insert.

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## Executive director's message

### TRS files suit against former law firm, outside counsel, and trustee for breach of fiduciary duty

Over the past several months, various news articles and editorials have decried the so-called "Teachers' Retirement System scandal." Although the subject is both significant and noteworthy, we believe that term to be both pejorative and incorrect. I'm writing at this time to review the actions taken by the TRS Board and staff over the past 18 months to safeguard the interests of the System and to restore the damage to our good name caused by the truly scandalous actions of others.



Jon Bauman  
Executive Director

It is important to note that the TRS Board of Trustees began reviewing its conflict of interest disclosure practices and policies in May 2004, months before the public disclosure of any investigative activity. Increased disclosure led to the termination of former outside law firm Gardner, Carton, and Douglas in August 2004, nearly a year before former Gardner, Carton, and Douglas partner and the former TRS external counsel Steven Loren was indicted by a federal grand jury.


**Director's message** continued on page 3

## Public Act 94-0004 rules approved

Public Act 94-0004 (SB27), which was signed into law on June 1, 2005, imposes employer contributions on salary increases over 6 percent that are used in the final average salary calculation and sick leave awards that exceed a district's normal annual allotment made in anticipation of retirement.

Over the summer and fall, TRS worked closely with an ad hoc group composed of union representatives, school law practitioners, and other education groups to draft

rules to govern the administration of Public Act 94-0004. As a result, the rules were submitted to the Joint Committee on Administrative Rules (JCAR) in October.

On December 13, JCAR voted to approve the rules. The final rules are being filed with the Secretary of State and are now in effect. 



Retirement Security for Illinois Educators

## Legislation introduced to allow 6 percent salary increase without employer payment

On June 1, 2005, Public Act 94-0004 was signed into law. In part, the legislation requires school districts to fund pension benefits based upon salary increases over 6 percent used in the determination of final average salary.

As a result, the liability associated with these salary increases will be paid for by the school districts instead of the state of Illinois. This calculation is applied to any compensation that is paid to members during their average salary period.

Legislation to exempt certain types of compensation from the 6 percent final average salary contribution has been introduced in the General Assembly. The proposed exemptions would exclude certain types of compensation from the 6 percent final average salary contribution. Several pieces of legislation with varying combinations of exemptions are pending consideration by the General Assembly.



Public Act 94-0004 and the new administrative rules (see page 1) do not provide any exemptions to the final average salary employer contribution. In order for exemptions to be allowed, legislation must first be passed and then signed into law by the Governor.

### Pending legislation for exemption of 6 percent final average salary contribution

#### House Bill 4160

- Payment received from the state of Illinois, the State Board of Education, or the U.S. government

#### House Bill 4164/Senate Bill 2150

- National Board Certification

#### House Bill 4165/Senate Bill 2148

- Extra-curricular duties

#### House Bill 4178/Senate Bill 2157

- Additional workload
- Summer teaching


#### House Bill 4166/Senate Bill 2151

- National Board Certification
- Extra-curricular duties
- Promotion to a position of authority within a department, school, or district
- Increased workload for part-time staff
- Negotiated salary schedule
- Additional workload
- Summer teaching

#### House Bill 4168

- Internal promotions

#### Senate Bill 2147

- Promotion to a position of authority within a department, school, or district 

## Legislative calendar released

The General Assembly is planning an ambitious schedule for early 2006. The Legislature will be in session from the time they convene in January until the scheduled adjournment date of April 7. If this schedule is met, it will be the earliest adjournment in recent history. In 2004, the General Assembly was in session until late July, culminating the longest session in history.

Senate and House schedules are available on the General Assembly Web site at [www.ilga.gov](http://www.ilga.gov). 



## Upcoming Board meetings

Springfield meetings are held at the TRS office, 2815 West Washington Street, Springfield, Illinois.

**February 16-17, 2006**

Springfield

**April 6-7, 2006**

Location to be determined (retreat)


**May 18-19, 2006**

Springfield 



Board actions can be found on our Web site, [trs.illinois.gov](http://trs.illinois.gov).

## TRS recovers millions from WorldCom settlement

On October 27, TRS received more than \$13 million to compensate it for losses on purchases of WorldCom bonds and stocks. TRS's recovery was achieved as part of a \$650 million global settlement of 32 individual lawsuits filed by approximately 67 institutional investors throughout the United States. TRS, the Illinois State Board of Investment, the State Universities Retirement System, and the Illinois Municipal Retirement Fund were among the public pension plaintiffs represented by the Lerach Coughlin law firm of San Diego. The plaintiffs' recovery is not reduced by attorney fees and costs, which were paid by the defendants in addition to this recovery. 

## Executive director's message *(continued from page 1)*

Recently, the TRS Board filed suit against Loren, his former firm Gardner, Carton, and Douglas, former TRS Trustee Stuart Levine, and former general partner of Healthpoint (private equity firm) Joseph Cari, charging all with breach of fiduciary duty, among other causes of action. The suit seeks compensatory and punitive damages in excess of \$5 million.

TRS has continued to improve the disclosure requirements for firms that do business with the System. The TRS Board has imposed additional disclosure requirements for private market funds and significantly restricted the use of placement agents in private market investments. Our long-standing ban on placement fees in public market investments remains in place.

In a continuing effort to retain investment firms with both strong investment performance and high ethical standards, TRS terminated Bear Stearns in November from a \$747 million equities assignment. Bear Stearns was the third firm in the past three years to be terminated by the TRS Board based in part on ethical or regulatory violations.

The TRS investment program has been among Illinois funds' and the nation's most successful over the past several years, consistently ranking in the desirable top quartile of several investment performance databases. Our most recent one-year return of 15.2 percent (as of September 30, 2005) is a return any of us would be glad to be earning on our personal investments. Despite the challenges posed by underfunding, our total fund assets continue to set new records, just recently passing the \$35 billion mark.

The Board and staff appreciate the many cards and notes of support we have received from members and annuitants of TRS over the past several months. We will continue to work hard to maintain your trust in the months ahead.

My best wishes to all of you for a peaceful 2006.

Jon Bauman  
Executive Director



## Find out information more quickly through convenient e-mail

In early 2006, we will begin providing e-mail messages alerting you with information you need to know immediately about your benefits. You won't have to wait for a newsletter to hear what you need to know if we have your e-mail address.

If you need an answer to a question today but don't have time to call during the work day, simply send us an e-mail and check for the reply when you get home in the evening. The response will be waiting for you.

You can also subscribe to our e-mail notification system and receive important e-mail notices about the progress of retirement claims or the purchase of optional service. This notification system confirms the receipt of forms and provides you important claim information.


Start communicating with us via e-mail today by:

- Signing up for automatic e-mail notification by visiting our Member Account Access area online at [trs.illinois.gov](http://trs.illinois.gov). First time users in Account Access must set up a new account.
- Sending an e-mail to [members@trs.illinois.gov](mailto:members@trs.illinois.gov) including your e-mail address, your full name, the last four digits of your Social Security Number, and a statement requesting that you want to add your e-mail address to your TRS account.
- Calling us at (800) 877-7896.

Don't miss an important e-mail. To ensure your spam protection software does not block e-mail messages



from us, please add the following TRS e-mail addresses to your address book: [webmaster@trs.illinois.gov](mailto:webmaster@trs.illinois.gov), [members@trs.illinois.gov](mailto:members@trs.illinois.gov), and [trsmessenger@trs.illinois.gov](mailto:trsmessenger@trs.illinois.gov).

We will never send confidential information online or share your e-mail address with a third-party. You can discontinue receiving e-mails at any time. 

## Serving you better through our new phone system

On December 16, Member Services and the entire TRS staff started receiving calls on a new phone system. While you may not notice the transition other than the menu change, the new system has advanced capabilities and more phone developments are planned for the future.

After you dial our phone number, (800) 877-7896, listen to the prompts to:

- hear the latest information about legislative developments or seasonal news,
- gain direct access to the Forms Order Line, or
- talk to a member services representative. If you choose to speak to a representative, the prompt will ask you to, "enter in your Social Security number on this secured location or to press 0 to speak to a member service representative." Entering your Social Security number is not mandatory, but it will help us retrieve your member file before we begin speaking with you.




The new phone system monitors call volumes and trends, so we can plan during the day and through the year to have more staff available to answer calls during peak periods to reduce call wait times. In order to serve you better, the Call Center staff members have a fully functional set of computer tools to help

process your call. For example, another staff person can be added into your conversation to assist with your questions or you may be directed to another person or department for their expertise. As part of our training process, your conversation could be recorded to monitor our performance.

We would appreciate your feedback about our new phone system. Please call or e-mail us, [members@trs.illinois.gov](mailto:members@trs.illinois.gov), with your comments.

### Future plans

You will be able to get the information you need 24 hours a day, seven days a week. Future applications will let you retrieve information about your personal account through our phone system even when our office is closed. 



## December retirements of four dedicated TRS employees

TRS said goodbye to four valuable employees on December 30, 2005. The collective TRS service of Ron and Sue Taylor, Glenda Downing, and Sharon Weiser was 87 years.

In 1983, **Ron Taylor** started his career with TRS in Member Services. After holding four insurance supervisory positions, he retired as the deputy director of Counseling Services. Ron said he stayed at TRS over the years because he wanted to provide assistance and service to TRS members. He strongly feels educators serve one of the most important functions in our society.


**Sue Taylor** was with TRS for 19 years. She started in the Records Center, moved to Data Processing, and switched to the Accounting Department where she finished her career as an accounting technician. On a personal note, Sue met her husband Ron Taylor at TRS. Ron waited to retire until Sue was also eligible. She said, "TRS truly changed my life and it has been a wonderful place to work."



*Ron Taylor, Sue Taylor, Glenda Downing, and Sharon Weiser*

An administrative coordinator in the investment department for over nine years, **Glenda Downing**, has watched the fund grow from \$19 billion in 1996 to \$35 billion. She learned to quickly adapt with every chief investment officer's investment strategy. When asked about her fellow employees, she said, "I have enjoyed working and socializing with the investment staff. I will miss them all."

In her 37 years as a TRS employee, **Sharon Weiser** contributed to five different departments. Most recently, she was the Call Center manager in Counseling Services. Sharon has been involved in many advances in technology, service improvements for members, and training for employees over the years. She believes, "TRS and all the people here are the best. You will find no better."

We appreciate Ron Taylor, Sue Taylor, Glenda Downing, and Sharon Weiser for their service to TRS and dedication to our members and hope they enjoy their well-deserved retirements. 

## TRS promotes experienced staff to management positions

Two benefits counselors, **Claire Ribelin** and **Tim Griffin**, have been promoted to the positions of deputy director of Counseling Services and call center supervisor, respectively.


A former vocal and instrumental teacher in Pekin, Claire says she now teaches "retirement." She has spent the majority of her 13-year tenure with TRS in the Counseling Department. Claire has been asked to serve on committees for breakthrough projects and train new staff because of her member benefit knowledge. Maintaining our high level of customer service and improving and enhancing communication with members are her goals as deputy director of Counseling Services.

An ISU graduate with a degree in business administration, Tim began his career with TRS in 1992. He has worked in Member Services and Employer Services and also has contributed to special committees for breakthrough projects. As a new supervisor, Tim feels very confident in the abilities of staff he administers because he has worked with many of them for a number of years. He is committed to cultivating a team atmosphere within the Call Center in order to provide exceptional service to members.

Director of Member Services **Terry Viar** was on the selection committee for both positions. "Claire and Tim are both experienced and capable employees. I'm confident in their



*Tim Griffin and Claire Ribelin*

leadership abilities and know member service is a priority to them." 



## Five reasons for annuitants to use direct deposit

### 1. Convenience

Let us make that monthly trip to the bank for you — no teller lines, no traffic, no bad weather. Your money is in your account on the first banking day of each month, ready for use no matter where you are.

### 2. Safety

You won't worry about a lost or stolen check. Your money is in the bank, no excuses. Replacement checks can take up to six weeks — why take that risk? Enroll in direct deposit and rest assured that your money is in the bank.

### 3. Speed

Benefit payments are always deposited in your account on the first banking day of each month. Your money is available on the day of deposit, unlike check deposit funds that may not be available to you for days.

### 4. Earn interest

Earn interest on your money earlier if you have your check directly deposited into an interest-bearing account. That's money in your pocket.


### 5. Free

Best of all, there is no charge for direct deposit — it is absolutely free. In fact, it may even save you money. Many financial institutions offer free checking accounts and discounted interest rates on loans to direct deposit customers.

### To join

To join the thousands of other TRS members, annuitants, and beneficiaries who already participate in direct deposit and begin enjoying the many benefits, follow these three easy steps:



1. Complete the top portion of the Depository Agreement for TRS Benefit Payments form. Forms are available through our
  - Web site, [trs.illinois.gov](http://trs.illinois.gov), under the Member forms area,
  - Forms Order Line at (800) 207-6948, and
  - Member Services Division at (800) 877-7896.
2. Take the depository agreement form to your financial institution. A representative from your financial institution must complete the bottom portion of the form.
3. Return the completed form to us along with a deposit slip or voided check. 

## Early 2006 important annuitant reminders

### Look for 1099-R in the mail

If you received a TRS benefit in 2005, the Office of the Comptroller will mail an IRS Form 1099-R to you by January 31, 2006. This form will report your income received from TRS during 2005.

The amount shown in Box 5 on the 1099-R form represents the non-taxable portion of TRS retirement benefits paid to you for the year and is the difference between Boxes 1 and 2a. Annuitants should always report the amount in Box 2a as the taxable amount of their pension income on the federal tax return.

If you do not receive a 1099-R form or you need a duplicate copy sent to you,


please call us at (800) 877-7896 or e-mail us at [members@trs.illinois.gov](mailto:members@trs.illinois.gov).

### Increase will be reflected on February 1 check

Your January and February checks will be different amounts because the January 2006 benefit payment that you will receive in February reflects your annual 3 percent annuity increase. The increase is effective on January 1 following either your first retirement anniversary or your 61st birthday, whichever is later. With some exceptions, recipients of monthly survivor benefits will also see a 3 percent increase.

### Federal withholding tables changed January 1

Revised federal withholding tables went into effect on January 1, 2006. As a result, the federal taxes withheld from your January 1 annuity payment may increase or decrease based on your filing status.

If you would like to change the number of exemptions you are claiming, you must complete a new Form W4-P. You can obtain a new form by calling us at (800) 877-7896, by calling our 24-hour Forms Order Line at (800) 207-6948, by visiting our forms page at [trs.illinois.gov](http://trs.illinois.gov), or by calling the nearest Internal Revenue Service office. 




## Schedule an appointment with a TRS benefits counselor

Many of you will come to our offices this year for information. Scheduling an appointment in advance is the best way to save you time and promptly meet your needs during your visit.

To schedule an appointment, call us at (800) 877-7896 between 7:30 a.m. to 4:30 p.m. on Monday, Wednesday and Friday and between 7:30 a.m. and 6 p.m. on Tuesday and Thursday.

An appointment with a counselor guarantees a date and time for your conference. It also gives the counselor time to review your record and prepare any information you have requested. We'll also send a letter to confirm your appointment date and send a map with directions to the TRS office.

Walk-in visitors may have to wait to see a counselor because we make every effort to see scheduled visitors, who may have had their appointments for months, at the appointed time. 



## TRS receives GFOA award

### Award for Outstanding Achievement in Popular Annual Financial Reporting

PRESENTED TO

### TEACHERS' RETIREMENT SYSTEM OF THE STATE OF ILLINOIS

for the Fiscal Year Ended  
June 30, 2004




*Nancy L. Ziehl*  
President  
*Jeffrey L. Esler*  
Executive Director

The Government Finance Officers Association of the United States and Canada (GFOA) has given an Award for Outstanding Achievement in Popular Annual Financial Reporting to the Teachers' Retirement System of the State of Illinois (TRS) for its Popular Annual Financial Report for the fiscal year ended June 30, 2004. The Award for Outstanding Achievement in Popular Annual Financial Reporting is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government popular reports.

In order to receive an Award for Outstanding Achievement in Popular Annual Financial Reporting, a government unit must publish a Popular Annual Financial Report, whose contents conform to program standards of creativity, presentation, understandability, and reader appeal.

An Award for Outstanding Achievement in Popular Annual

Financial Reporting is valid for a period of one year only. Teachers' Retirement System of the State of Illinois has received a Popular Award for the last five consecutive years. We believe the June 30, 2005 report, which is enclosed with this newsletter, also conforms to the Popular Annual Financial Reporting requirements, and we are submitting it to GFOA for another award. 

## TRS Benefits Report mailed to members

Your TRS Benefits Report was mailed in early December with a new design featuring some of our TRS staff members working for you.




The report summarizes the following benefits: refundable contributions, beneficiary refund, beneficiaries, estimated benefits, sick leave service, 2.2 upgrade information, reciprocal service, refunded service that may be reinstated, optional service, and active service.

Our Web site also has your report available in the secure Member Account Access area. Recent payments and outstanding balances that have occurred since the report was mailed will be shown online.

If you have any questions or need another copy of your report, please call us at (800) 877-7896.

Annuitants do not receive TRS Benefits Reports. 

## Schools of Monroe County reveals small districts' heritage

The Monroe County Retired Teachers, which has 95 members, undertook the job two years ago of compiling a book called *Schools of Monroe County*. At least 60 small school districts are represented in this work. In December 2004, the book was completed and 200 copies were printed. All copies were quickly sold and another 150 were ordered. These too were quickly purchased. Marian Maag, who is a member of the organization, reports that the orders continue to arrive. The group is proud of their heritage and the response their book has received. They celebrated their 20th year of organized support for retired teachers in Monroe County in 2005. 

### Office Information

2815 West Washington, P.O. Box 19253  
Springfield, IL 62794-9253

4200 Commerce Court, Suite 100  
Lisle, IL 60532-3611

### Phone

Toll Free: (800) 877-7896  
Forms Order Line: (800) 207-6948

### Web site

trs.illinois.gov

### Address changes

To ensure that all information about your retirement benefit reaches you, please notify us each time your mailing address changes. You may call us or send us the following information in writing:

- your name and Social Security number
- former street address, city, state, and ZIP
- new street address, city, state, and ZIP
- daytime telephone number.

### Board of Trustees

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### Topics & Report

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